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FOR IMMEDIATE RELEASE

**PUBLIC SERVICE COMMISSION APPROVES SETTLEMENT
FOR KINDER MORGAN GAS CUSTOMERS**

LINCOLN – At its meeting Wednesday, the Nebraska Public Service Commission approved a rate settlement between Kinder Morgan and the Commission's Public Advocate, which represents natural gas customers. The settlement, which allows a rate increase, was approved on a 3-2 vote, with Commissioners Rod Johnson of Sutton and Jerry Vap of McCook opposed. The new rates will become effective January 1.

Kinder Morgan serves customers in 182 municipalities in central and western Nebraska. As part of the settlement Kinder Morgan is barred from asking for another general rate increase until June 1, 2009. It is the first time that Kinder Morgan has sought a general rate increase in 13 years.

The decision on the rate settlement followed a series of eight field hearings in late November and early December in Kinder Morgan-served communities and a December 18 hearing at the Commission's offices in Lincoln. Kinder Morgan filed for an increase on June 6.

"Nobody likes a rate increase," Commission Chairman Lowell Johnson said. "This decision was reached after listening to ratepayers, consultants, the Public Advocate, and company representatives. It complies with the provisions of state law which provides for regulation of investor-owned natural gas utilities by the Nebraska Public Service Commission."

Under the settlement, which was developed in negotiations between the company and the Public Advocate, the customer service charge will be less than originally proposed by Kinder Morgan.

Prior to September 1, when Kinder Morgan was able by law to impose interim rates pending an outcome of its application, the monthly customer charge for residential serve ranged from \$3-\$5 depending on the community and \$4-\$6 for commercial customers. The company

proposed increases in its application to \$13.50-\$15.50 for residential customer charges and \$22.10 to \$24.10 for commercial customers.

Under the settlement, the customer charge will increase to \$6 monthly for residential customers on January 1. Commercial customers were divided into two categories: small commercial customers, which will pay a customer charge of \$8 and large commercial customers, which will pay \$18. Those charges will increase on a graduated basis over the following two years on April 1. In 2008, the service charge will increase to \$8 for residential, \$10 for small commercial, and \$20 for large commercial. In 2009 the charge will become \$10 for residential, \$12 for small commercial, and \$22 for large commercial customers. At the same time, Kinder Morgan's distribution charge, assessed based on the amount of gas used, will decrease.

Because the company's interim rates represented only 70% of its full requested increase, no refunds are owed to customers. Under state law, Kinder Morgan could have collected the full amount of its rate increase pending the decision by the Commission, but elected not to do so.

Customers in communities paying a \$2 monthly litigation assessment to Kinder Morgan will continue to see the charge on their monthly bills. That charge resulted from communities contesting the company's rates prior to state regulation.

The Commission received about 3,200 contacts in the form of signed petitions, telephone calls, emails, and letters from Kinder Morgan customers following announcement of the company's rate increase application.

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